

TESTIMONY OF
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NATIONAL FISHERIES INSTITUTE
on the
INDIVIDUAL FISHING QUOTAS UNDER THE
MAGNUSON-STEVENS FISHERY CONSERVATION AND MANAGEMENT ACT
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON RESOURCES
OCEANS, FISHERIES, AND WILDLIFE CONSERVATION SUBCOMMITTEE
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Chairman Gilchrest, Congressman Underwood, and members of the subcommittee, on behalf of the member companies of the National Fisheries Institute (NFI), I want to thank you for the opportunity to testify on the role of Individual Fishing Quotas (IFQs) under the Magnuson-Stevens Fishery Conservation and Management Act (MSFCMA). I am Richard E. Gutting Jr., President of the NFI.

The NFI is a trade association representing the U.S. fish and seafood industry.

We are an "ocean to table" organization, representing harvesters, processors, importers, exporters, distributors, restaurants, and retail establishments. Our members operate vessels and facilities in all major U.S. fisheries, and our mission is to ensure an ample, safe, and sustainable seafood supply to consumers.

The management of our nation's fisheries is showing remarkable improvement. Overfished resources are being rebuilt, and some overcapitalized fleets are being rationalized. While there is more to do, managers and scientists are making significant progress.

To further facilitate the wise use of fishery resources, fishery managers should be authorized to establish IFQ programs and other rationalization schemes such as limited access and cooperatives. These management tools do not result in the so-called "privatization of a public resource" any more than harvesting does. In any fishery, as soon as a fish is captured it has been "privatized".

A moratorium was imposed in 1996 on the creation of additional IFQ programs that is scheduled to expire this fall, having been extended in 2000. At the same time, new requirements for IFQ programs were enacted, including:

- The establishment of a publicly-available central registry system,
- Non-compensatory revocation of IFQs by the councils and Secretary of Commerce,

- No right, title, or interest in or to any fish before the fish is harvested,
- Fees to cover the actual costs directly related to the enforcement and management of the IFQ program,
- A set-aside of up to 25% of such fees for use as financial aid for IFQ purchases by "small vessels" and first purchasers,
- Fair and equitable allocation of initial IFQs,
- Prevention of any person from acquiring an excessive share of IFQs, and
- Consideration of the allocation of a portion of the annual harvest for entry-level fishermen, small vessel owners, and crewmembers.

In addition, limited access systems must take into account:

- Present participation in the fishery,
- Historical fishing practices in, and dependence on, the fishery,
- The economics of the fishery,
- The capability of the vessels in the fishery to engage in other fisheries, and
- The cultural and social framework relevant to the fishery and any affected fishing communities.

A 1998 National Academy of Sciences (NAS) report, *Sharing the Fish*, recommends that Congress lift this moratorium on IFQs and:

- Encourage cost recovery and some extraction of profits (already addressed in the MSFCMA),
- Require accumulation limits (already addressed in the MSFCMA),
- Support additional study and routine data collection,
- Determine rules for foreign ownership,
- Delegate decisions about the transferability of quota shares to the councils, and
- Define the nature of the privilege (already addressed in the MSFCMA).

The NAS made no recommendations with regard to allocating shares to fish processors although Congress had asked it to analyze "mechanisms to ensure that U.S. fish and seafood processors are treated fairly and equitably in initial allocations." A National Marine Fisheries Service IFQ Advisory Panel Report, however,

suggests that processor shares are an important consideration as excessive investments in processing capacity parallel investments in harvesting capacity. The NFI agrees.

The NFI supports the existing criteria for IFQs and limited access programs and the recommendations of the NAS. However, we believe the MSFCMA must be amended to ensure that primary processors are treated fairly in any new IFQ programs. Scott Matulich, a professor at Washington State University, explains why in the Pacific Fishing magazine (March 1996):

"...the IFQ literature is founded on the fallacy that only the harvesting sector intervenes between the fish resource and the consumer. This, of course, is patently false for most fisheries; the processing sector typically is just as crucial to the utilization of fishery resources as the harvesting sector. Yet this one simplification is largely responsible for the conventional wisdom of endowing harvesters with valuable rights and leaving processors with the consequences."

When fishing fleets have been rationalized through the allocation of IFQs, vessel owners have been compensated. Primary processors have not, even though they have been left with unusable facilities and processing equipment.

This is not fair. When fisheries are rationalized, primary processors must be treated equitably and the MSFCMA needs to be amended to ensure this fairness.

How best to ensure fairness varies from fishery to fishery. One approach is to allocate 100% of the Total Allowable Catch (TAC) in harvesting shares and 100% of the TAC in processing shares under a so-called two-pie system. Alternatively, it may make sense to allocate 50% of the harvesting rights to the primary processing community, or to limit access to primary processing. It all depends on the nature of the fishery. Thus, while the law must ensure that the harvesting and primary processing sectors receive equitable treatment, it should not proscribe exactly how that should be achieved.

Mr. Chairman, IFQs are a powerful tool for rationalizing fisheries. However, without clear criteria in the MSFCMA, including a requirement for equitable treatment for primary processors, the NFI believes the moratorium on IFQ programs should continue.

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